

## **MINUTES**

### **MONTANA SENATE 58th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON AGRICULTURE, LIVESTOCK AND IRRIGATION**

**Call to Order:** By **CHAIRMAN KEITH BALES**, on March 5, 2003 at 3 P.M., in Room 422 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Keith Bales, Chairman (R)  
Sen. Dale Mahlum, Vice Chairman (R)  
Sen. Ken (Kim) Hansen (D)  
Sen. Sam Kitzenberg (R)  
Sen. Walter McNutt (R)  
Sen. Linda Nelson (D)  
Sen. Gerald Pease (D)  
Sen. Corey Stapleton (R)  
Sen. Mike Taylor (R)

**Members Excused:** Sen. Joseph (Joe) Tropila (D)

**Members Absent:** None.

**Staff Present:** Jennifer Stephens, Committee Secretary  
Doug Sternberg, Legislative Branch

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: HJ 18, 2/22/2003; HB 325,  
2/22/2003; HB 364, 2/22/2003;  
Executive Action: HJ 18, HB 364

HEARING ON HJ 18

Sponsor: REP. KARL WAITSCHIES, HD 96, PEERLESS

Proponents: Ralph Peck, Director, MT Department of Agriculture  
Chris Christiaens, MT Farmers Union  
Bob Stephens, MT Grain Growers  
Pam Langel, MT Agri-Business Association  
Larry Barbie, MT Grain Growers  
John Semple, MT Cattle Women, MT Stock Growers, MT Wool Growers

Opponents: None

Opening Statement by Sponsor:

REP. KARL WAITSCHIES explained that HJ 18 would ask for a disaster declaration from the U.S. congress because of the drought that has affected Montana the last few years. He further explained that HJ 18 would allow congress to pass disaster assisted legislation without going through the farm bill.

Proponents' Testimony:

Ralph Peck, Director, MT Department of Agriculture, said that it is probable that Montana will still be dealing with drought this year so it is important to have a resolution like HJ 18.

Chris Christiaens, MT Farmers Union, said he thinks HJ 18 is a good step, especially since the state is facing its 5th dry year. He also mentioned that studies are showing that the drought might last up to 20 years. He urged the committee to consider the bill.

Bob Stephens, MT Grain Growers, rose to support HB 18.

Pam Langel, MT Agri-Business Association, rose to support HB 18.

Larry Barbie, MT Grain Growers, explained he is directly impacted by the drought. He added that he was recently in Washington D.C. to testify to the U.S. Senate for more drought assistance. He ended by saying that disaster funds would greatly help out his situation.

John Semple, MT Cattle Women, MT Stock Growers, MT Wool Growers, rose in favor of HB 18.

**Questions from Committee Members and Responses:**

**SEN. MIKE TAYLOR** asked **Mr. Barbie** why the state did not receive any federal aid last year for the drought. **Mr. Barbie** explained that there has been a problem with proper compensation. He said it is hard to determine how much loss there is during a drought.

**Closing by Sponsor:**

**REP. KARL WAITSCHIES**, asked for the committee's consideration on the bill. He closed on HB 18.

**HEARING ON HB 325**

**Sponsor:** REP. JOHN WITT, HD 89, CARTER

**Proponents:** Larry Barbie, MT Grain Growers  
Barbara Broberg, Women Involved in Farm Economics (WIFE)  
Roger McGlenn, Director, Independent Insurance Agents of Montana,  
Nancy Schlepp, MT Farm Bureau  
Ralph Peck, Director, MT Department of Agriculture  
Chris Christiaens, MT Farmers Union  
Pam Langely, MT Agri-Business Association

**Opponents:** None

**Opening Statement by Sponsor:**

**REP. JOHN WITT**, submitted written testimony, **EXHIBIT**(ags46a01).

**Proponents' Testimony:**

**Larry Barbie, MT Grain Growers**, supported the bill and said he would be available to answer any questions.

**Barbara Broberg, Women Involved in Farm Economics (WIFE)**, rose to support HB 325.

**Roger McGlenn, Director, Independent Insurance Agents of Montana**, said his company has historically opposed the type of legislation seen in HB 325 because they see it as direct competition from the state. Despite these past concerns, he said that an increase in state fees are needed because the private market may not be able to supply for all of Montana farmers' needs. His only caution to HB 325 is that the State Hail Board comply with the existing

statute which is explained on lines 11 and 12 of the bill. He added that his supervisor, **Bud Baldwin, Erickson Larsen Insurance**, was also in the audience and would be happy to answer any questions.

**Nancy Schlepp, MT Farm Bureau**, rose in support of HB 325.

**Ralph Peck, Director, MT Department of Agriculture** said he serves on the State Hail Board and agreed that HB 325 is a good bill.

**Chris Christiaens, MT Farmers Union**, said the committee members did not have to be too concerned about the change described in the bill because it still says the reserve fund will be determined actuarially sound. He also clarified what private insurers are currently writing for dry land grain operations and irrigated land. He said the increase of fees proposed in the bill are appropriate and needs to be put into place.

**Pam Langely, MT Agri-Business Association**, rose to support HB 325.

**Questions from Committee Members and Responses:**

**SEN. MIKE TAYLOR** asked how the new rates would be determined.

**REP. JOHN WITT** explained that the rates are based upon yields within counties. He added that the rates vary all over the state. **REP. WITT** deferred the question to **Lee Boyer, MT Department of Agriculture**. **Mr. Boyer** gave further details as to how rates were determined.

**SEN. DALE MAHLUM** asked what changes in rates there would be for drylands. **Mr. Boyer** explained that the bill would not effect premium rates. If a person resides in a county where the premium rate is currently 10%, that fee will remain the same, but the overall coverage may increase from \$24 to \$28. **SEN. MAHLUM** further asked if that would enable a person to get back either \$40 or \$56 an acre if it was a dry crop. **Mr. Boyer** said that was correct. If a person insured their crop and there was a 100% loss, there would be compensation.

**SEN. LINDA NELSON** asked **Mr. McGlenn** to elaborate on who is buying hale insurance and at what premium. **Mr. McGlenn** explained that insurance companies have to have a certain amount of money in reserves. He also explained that insurance companies might not have the capacity to assume all risks to crops. **SEN. NELSON** further asked if the figures on the fiscal note were accurate for private insurance. **Mr. McGlenn** deferred the question to **Bud Baldwin**. **Mr. Baldwin** said private companies will generally set a

limit as to what they will write in any particular township. When that limit is filled, the insurance company will not continue to give compensations. He added that this can vary. Given the current situation with the insurance market, however, he thinks this rule might change.

**SEN. WALTER MCNUTT** asked **REP. WITT** how the new premium price was determined. **REP. WITT** said that since production and irrigation is greater, they arbitrarily arrived at the new premium costs.

**SEN. MCNUTT** asked if the new figure was agreeable with the irrigators. **REP. WITT** said to his knowledge, the figures were agreed upon.

**SEN. TAYLOR** asked why there wasn't a section of the bill that called for the insurance company to come and take a look at the damage. **REP. WITT** said he agreed wholeheartedly. The reason the insurance companies don't is because it costs more money to go out and survey damages.

**SEN. COREY STAPLETON** asked **Mr. McGlenn** if the insurance market was irrational right now due to the effects of terrorism. **Mr. McGlenn** said he does not represent insurance companies; he represents the agents. He said the agents certainly do question the decisions that are made concerning where the insurance companies allocate their capacity. He added that the reason why the independent insurance agents are supporting the bill is because they want to make sure their clients can cover their exposures. He added that the rates may be too low on a state level and that is why he urges that the state hail board be very careful how they set the new limits. **SEN. STAPLETON** asked to hear **Mr. Baldwin's** perspective of the status of the insurance market in the private sector. **Mr. Baldwin** said he personally could not speak for the insurance companies. He explained that his livelihood comes from insurance sales. He has feelings for his customers because he thinks they need to be protected, but on the other hand, he feels that agencies often let their agents down because they are indicating that there may not be enough money to handle all of the insurance needs for the customers. He ended by saying the bill would help take care of insurance customers. **SEN. STAPLETON** said he was surprised there were no opponents to the bill.

**SEN. KEITH BALES** asked **Mr. Boyer** what was the present status of the State Hail Fund. **Mr. Boyer** said his feeling is that the premiums will increase by increments. He said the current reserve is at about \$4.8 million, which is calculated to cover a catastrophic year. **SEN. BALES** asked if there is going to be a sufficient capacity in the private sector to make sure that everyone desiring insurance is able to get coverage. **Mr. Boyer**

said the State Hail Insurance Committee is trying to proportion the fees to cover as many acres as possible in order to provide coverage for those who want insurance.

**SEN. DALE MAHLUM** asked if the State Hail Board does anything with flood insurance. **Mr. Boyer** said no.

**SEN. MIKE TAYLOR** asked how many acres are either publically or privately insured in Montana. **Mr. Boyer** said approximately 3 million acres a year. He said the number of insured acres is largely dependent on weather conditions during the year.

**SEN. TAYLOR** asked **Mr. Peck** what percent of insurance holders have state insurance. **Mr. Peck** said about 1/3 of the insurance holders have supplementary insurance through the state. He also asserted that the number of insurance holders in a year largely depends on the success of the crops.

**Closing by Sponsor:**

**REP. JOHN WITT**, said the bill passed unanimously in the House. He closed on the bill.

**HEARING ON HB 364**

**Sponsor:** **REP. BOB BERGEN, HD 90, HAVRE**

**Proponents:** **Ralph Peck, Director, MT Department of Agriculture**  
**Chris Christiaens, MT Farmers Union**  
**Larry Barbie, MT Grain Growers**  
**Barbara Broberg, Women Involved in Farm Economics**  
**(WIFE)**  
**Pam Langely, MT Agri-Business Association**  
**Nancy Schlepp, MT Farm Bureau**

**Opponents:** **None**

**Opening Statement by Sponsor:**

**REP. BOB BERGEN** submitted written testimony, **EXHIBIT (ags46a02)**.

**Proponents' Testimony:**

**Ralph Peck, Director, MT Department of Agriculture**, submitted written testimony, **EXHIBIT (ags46a03)**.

**Chris Christiaens, MT Farmers Union**, said he sees the bill as a clarification and clean-up effort. He urged the committee to pass the bill.

**Larry Barbie, MT Grain Growers**, stood in support of the bill.

**Barbara Broberg, Women Involved in Farm Economics (WIFE)**, stood in support of the bill.

**Pam Langely, MT Agri-Business Association**, stood in strong support of the bill for the reasons previously mentioned.

**Nancy Schlepp, MT Farm Bureau**, stood in support of the bill.

Questions from Committee Members and Responses: None

Closing by Sponsor:

**REP. BOB BERGEN** closed on HB 364. He left further information with the secretary, **EXHIBIT(ags46a04)**.

**EXECUTIVE ACTION ON HJ 18**

**Motion/Vote:** **SEN. NELSON** moved that HJ 18 BE CONCURRED IN.  
Motion carried unanimously.

**EXECUTIVE ACTION ON HB 364**

**Motion/Vote:** **SEN. BALES** moved that HB 364 BE CONCURRED IN.  
Motion carried unanimously.

**ADJOURNMENT**

Adjournment: 4:15 P.M.

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SEN. KEITH BALES, Chairman

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JENNIFER STEPHENS, Secretary

KB/JS

**EXHIBIT (ags46aad)**